

B. Study 1 – Effects of Institutionalized Entry Modes on Entry Mode Choices

1. Introduction

The choice of a foreign market entry mode, i.e., an institutional arrangement that makes possible the entry of firm resources into a foreign country (Root 1987), is known as a crucial decision because this choice drives performance (Brouthers 2002; Brouthers, Brouthers and Werner 2003) and is difficult to change once established (Pedersen, Petersen and Benito 2002; Swoboda, Olejnik and Morschett 2011). Consequently, foreign entry mode choices are intensively analyzed based on various theories on more than 200 antecedents (for reviews, see Brouthers and Hennart 2007; Canabal and White 2008; Morschett, Schramm-Klein and Swoboda 2010) and often based on the assumption that each choice follows the deliberate efforts of firms to enhance their competitiveness, efficiency and control over critical resources (Brouthers, Brouthers and Werner 2008). However, Anderson and Gatignon (1986) have already stated that relatively few firms actually behave like this, as other firms rely instead on past decisions. To analyze how firms choose entry modes in response to past decisions, this study focuses on the role of institutionalized entry modes in subsequent entry mode choices. Thus, this study addresses the gap between a predicted entry mode choice and the actual entry modes that have predominantly been used in the past (Brouthers and Hennart 2007).

Previous studies have frequently investigated the effects of past decisions on future strategic behaviors (e.g., Amburgey and Miner 1992). Also the relevance of past decisions on subsequent entry mode choices is undisputed, as these decisions have even been included as control variable in cross-sectional studies but with mixed results (Sanchez-Peinado, Pla-Barber and Hébert 2007). However, only few studies empirically analyze this specific phenomenon in detail. Two studies analyze the relevance of past mode decisions for repeated entries by referring to mode inertia based on institutional theory regarding the same host country (Yiu and Makino 2002) and across different host countries (Lu 2002), and three studies refer to organizational learning based on transaction cost theory (Chang and Rosenzweig 2001) and the resource-based view (RBV) (Padmanabhan and Cho 1999; Sanchez-Peinado,

Pla-Barber and Hébert 2007). Benito, Petersen and Welch (2009) acknowledge both mode inertia and mode learning as major evolutionary concepts related to entry modes in addition to a third type known as mode dynamics, which refer to changes in foreign operation modes in a host country (e.g., Swoboda, Olejnik and Morschett 2011). However, although mode learning refers to the deliberate efforts of firms, including past experiences, Anderson and Gatignon (1986) argue beyond this by assuming that entry mode choices are also made without deliberate or conscious evaluations because habitual behavior tends to supersede the conscious awareness of decision makers (Grewal and Dharwadkar 2002; Oliver 1996). Thus far, an institutional theory that posits internal isomorphic pressures and leads managers to follow institutionalized decisions has been analyzed across different host countries only by Lu (2002). Because the interdependencies of past decisions with the external and internal environments are neglected, two research gaps emerge.

There is a lack of empirical research whether institutionalized entry modes, i.e., full- and shared-controlled entry modes that have been employed as taken for granted in the course of time, are able to predict subsequent entry mode choices and, in particular, how contingently stable this relationship is over time. Institutional theory provides an appropriate theoretical basis for the investigation of both topics because this theory is able to explain the relevance of internal isomorphic pressure and its dependence upon external isomorphic pressure, i.e., pressures from regulative and normative institutions in a host country. Thus, the relationship between institutionalized entry modes and subsequent entry mode choices may be weakened as the external institutional environment forces firms to adapt their entry modes (institutional duality), whereas the relationship may be reinforced as a firm's internal capabilities enable the application of an institutionalized mode. Both scenarios are relevant to subsequent entry mode choices and require detailed analyses. Therefore, a combination of theories is necessary because institutional theory assists in explaining the influence of internal and external isomorphic pressures on entry mode choice and thus explains institutional duality from a socially justified perspective while neglecting the economically justified perspective that is addressed by capabilities that are based on the RBV.

Prior studies primarily investigate manufacturing firms. In contrast, this study argues that service firms are distinctive, and their specific characteristics have not yet been sufficiently addressed in entry mode research (Canabal and White 2008). Specifically, the retail sector is distinctive because of the need to be locally adapted to a host country and to establish a store network abroad (Swoboda, Zentes and Elsner 2009). More importantly, the entry mode choice seems to be particularly relevant for retailers because of their relatively high dependence on the external environment in a host country and because of their typically high resource needs with respect to the expansion of store networks abroad. Consequently, institutional theory is particularly relevant in this context (Huang and Sternquist 2007) and for investigating the relationship between institutionalized entry modes and subsequent mode choice as well as its influence through external and internal factors.

In sum, the aim of this study is to analyze the following research question: to what extent can entry modes that have predominantly been used in the past predict a subsequent entry mode choice? Assuming opposing effects, this study addresses an additional question: how do external regulative and normative pressures in a host country and the internal capabilities of firms moderate the relationship between past entry modes and future entry mode choices?

By responding to these questions, this study contributes to the international business literature, especially with respect to institutional theory and service industries. From a methodological perspective, this study responds to calls for the use of panel data in entry mode research to obtain a better understanding of entry mode choices over time (Andersen 1997; Asmussen, Benito and Petersen 2009; Benito, Petersen and Welch 2009; Canabal and White 2008). From a theoretical perspective, this study responds to the call of Meyer et al. (2009) and Lu (2002) to investigate the extent to which internal institutions influence variations in entry mode choices. According to Huang and Sternquist (2007), the relationships between internal and external institutional pressures in entry mode choices in retail are analyzed. Therefore, internal and external regulative and normative institutions are combined in a new manner. That is, the internal pressures that are antecedences of subsequent entry mode choices and external pressures that moderate this relationship (institutional duality). Furthermore, this study combines institutional theory with the RBV by analyzing

ing how firm-specific capabilities moderate the relationship between institutionalized entry modes and subsequent entry mode choices. The observations in this study may assist in providing a more realistic view of how managers reach actual entry mode decisions by emphasizing that retail entry mode choices are actually influenced by institutionalized entry modes over time rather than the result of deliberate and conscious decisions, as was commonly assumed in previous research, e.g., studies that were based on transaction cost analyses (e.g., Zhao, Luo and Suh 2004).

The study begins with a review of the institutional theory literature on entry mode research because this theory represents the theoretical foundation. Subsequently, a set of hypotheses will be deduced and tested empirically using panel data for 309 market entries of the world-leading retailers for the period from 1960 to 2007. The results are presented and discussed subsequently as well as the limitations of this study.

2. Literature on Institutional Theory in Entry Mode Choice

Prior research on institutional predictions of entry mode choice is sparse and distinctive from research that pertains to the choice of the most efficient entry mode, which often only investigates the external institutional environment. However, the literature on institutional theory regarding foreign entry mode choices has been reviewed by focusing on four aspects: 1) the role of internal institutional pressures, 2) the role of external institutional pressures, 3) the correspondence of internal and external institutional pressures and 4) studies that combine institutional theory and the RBV.

Huang and Sternquist (2007) discuss conceptually and Lu (2002) demonstrates empirically that the frequency of adoption of an entry mode in previous market entries increases the propensity to use the same entry mode in subsequent market entries. In particular, Lu (2002) shows that intra-organizational mimetic behavior within multinational enterprises (MNEs) has a stronger influence on entry mode choices than inter-organizational mimic behavior. Furthermore, Yiu and Makino (2002) support the use of the same institutionalized mode by MNE but for sequential market entries into the same host country.

The authors underline the influence of the entry modes that were most frequently used in the past for subsequent mode choices and thus emphasize internal institutional pressures, i.e., historical norms that lead to institutional persistence in the entry mode choice.

Many studies discuss the relevance of external institutional pressures by addressing selected norms and regulations as antecedents of entry mode choices. The importance of these antecedents is demonstrated by Xu, Pan and Beamish (2004) with respect to regulative and normative distance, by Meyer and Nguyen (2005) with respect to variations in economic institutional factors, by Uhlenbruck et al. (2006) with respect to the pervasiveness of corrupt governments, by Estrin, Baghdasaryan and Meyer (2009) with respect to institutional distance and finally by Xia, Tan and Tan (2008) and Chan and Makino (2007) with respect to inter-organizational mimic behavior and within host countries. Similarly, some studies combine transaction cost analysis (TCA) and external institutional pressures, such as country risk, legal restrictions and the level of intellectual property protection (Delios and Beamish 1999), progress in institutional reforms (Meyer 2001), legal restrictions (Brouthers 2002), political constraints, corruption and cultural and linguistic distance (Demirbag, Glaister and Tatoglu 2007). The main contribution of most of these studies is the finding that regulative and normative pressures in host countries force firms to choose entry modes with lower levels of resource commitment.

Conceptually, Xu and Shenkar (2002) and Huang and Sternquist (2007) question how internal and external institutions correspond with one another to explain entry mode choices (institutional duality). However, only a few studies empirically investigate internal and external institutions, and these studies usually consider institutions to be direct antecedents. For example, such studies consider entry mode choice in one country (e.g., past entry modes and cultural distance (Chang and Rosenzweig 2001) as well as regulatory institutions (Yiu and Makino 2002)) and in different countries (e.g., internal cognitive structures and regulative risk and cultural distance (Chen et al. 2009)) as well as entry mode change (internal isomorphic pressures and governmental regulations (Puck, Holtbruegge and Mohr 2009)). Indirect relationships between internal and external institutions are only empirically investigated by Estrin, Baghdasaryan and Meyer (2009), who support a converted U-relationship for

the influence of institutional distance on mode choices, and Schwens, Eiche and Kabst (2011), who show the moderating effects of having an informal institutional distance and formal institutional risk on the entry mode choices of SMEs in a TCA-based model. In conclusion, studies that investigate the direct effects simultaneously provide similar results, which indicate that internal institutional isomorphism results in entry mode persistence, and external institutional pressures result in entry modes with lower resource commitment levels.

On the basis of the RBV, some studies address various antecedents, primarily those with direct effects rather than moderating effects, of entry mode choice. For example, Mutinelli and Piscitello (1998) argue that international knowledge is an important capability of MNE and show that the accumulation of knowledge increases the probability of establishing full control modes. Three studies combine institutional theory with the RBV. Oliver (1997) conceptualizes how capabilities are embedded into the internal and external institutional environments. Brouthers, Brouthers and Werner (2008) show empirically that when institutional distances regarding social norm, legal and country risk decrease, firms with low levels of specific resources shift from shared- to full control modes. Finally, Meyer et al. (2009) show that, for strong local institutions, acquisitions and joint ventures are favored over greenfield modes when a foreign entrant has a high need for intangible resources. In conclusion, this research indicates the importance of extending the RBV with institutional reasoning that employs external institutions as the antecedents or moderators of entry mode choices.

3. Theoretical Foundation

Scholars have examined entry mode decisions from different angles, such as TCA, the OLI paradigm, internationalization theory, the RBV and institutional theory (Brouthers and Hennart 2007; Canabal and White 2008). With regard to the research questions outlined above, two research streams are analyzed: 1) studies that consider how institutionalized entry modes determine subsequent entry mode choices and 2) studies that analyze the effects of external and internal determinants on this relationship. Thus, this study focuses on institutional theory and the RBV. The use of both theories broadens the arguments

regarding the procedural character of entry mode choices (Kostova 1999; Penrose 1995) and thus overcomes the main limitation of the most frequently employed TCA in entry mode research (Jones and Coviello 2005; Williamson 1985). Institutional theory is employed to determine the effects of institutionalized entry modes on entry mode choice and the influence of external institutional pressures. The RBV is employed to determine the effects of internal firm-specific capabilities because these capabilities are not considered by the socially justified institutional theory (Oliver 1997).

Institutional theory considers organizations to be social actors who are embedded in their own internal and external environment consisting of structures, standards and practices that have been established in the past and by other social actors, organizations and institutions (DiMaggio and Powell 1983; Meyer and Rowan 1977). These institutions impose isomorphic pressure to which organizations respond to gain legitimacy. According to Scott (1995), there are three factors related to the institutional pressures to which an organization responds to strive for legitimacy: internal cognitive pressures, external regulative pressures and external normative pressures. Firms that do not respond to these pressures assume the risk of failure abroad (Brouthers and Hennart 2007). Specifically, *internal cognitive pressures* are related to the imprinting concept of Stinchcombe (1965), i.e., if a certain action is justified, then it becomes an approach that is taken for granted with an increasing frequency of adoption (Zucker 1977). Hence, institutionalized actions, such as institutionalized entry modes, are characteristically uniform and resistant to change, even in future entry mode choices. *External regulative pressures* refer to the establishment, monitoring and enforcement of formal rules, such as political-legal requirements, whereas *external normative pressures* refer to informal norms, values and beliefs, such as cultural distance. It is evident from a sociological (DiMaggio and Powell 1983) and an economical perspective (North 1990) that such external pressures influence organizational decisions because the institutional environment varies among countries. Thus, institutional duality can be assumed because decision makers may employ institutionalized actions, such as entry modes, that were predominantly used in the past to gain internal legitimacy but may depart from this practice with regard to external regulative and normative pressures.

The RBV allows for the consideration of internal firm-specific capabilities and their effect on the propensity to choose an institutionalized entry mode. Therefore, the RBV assumes that a strategy choice depends on a firm's resources and capabilities that emerge over time (Madhok 1997). With regard to the reasoning of the RBV (Barney 1991; Penrose 1995), scholars generally assume that the choice of a foreign market entry mode depends on whether a firm's own capabilities can be exploited abroad or whether the foreign markets themselves serve as sources for the acquisition and development of new resources (Brouthers and Hennart 2007; Ekeledo and Sivakumar 2004). It is assumed that firm-specific capabilities represent input factors for strategy development and implementation (Amit and Schoemaker 1993). Consequently, the emergence of firm-specific capabilities may enable firms to realize a specific strategy and, therefore, an institutionalized entry mode. As capabilities such as international knowledge are crucial for MNEs (Mutinelli and Piscitello 1998), it is assumed that international knowledge that is accumulated over time may reinforce the use of organizational routines and, therefore, that of institutionalized entry modes.

4. Conceptual Framework and Hypotheses Development

In this section, the hypotheses proposed by this study are deduced. The conceptual model summarizes the set of relationships examined in this study (Figure B-1). It is proposed that the choice of market entry modes primarily depends on the institutionalized entry mode with regard to the organizational imprinting effect in contrast with mode dynamics and mode learning. Moreover, it is argued that this behavior changes in response to the external environment because regulative and normative pressures force firms to adjust their institutionalized entry mode within a country. In turn, it is argued that this behavior is reinforced by firm-specific capabilities because accumulated international knowledge, including international experience and internationalization speed, facilitates the employment of an institutionalized entry mode.

Subsequently, each relationship is discussed from a theoretical perspective, and empirical evidence for the assumptions is also provided in the retail context.

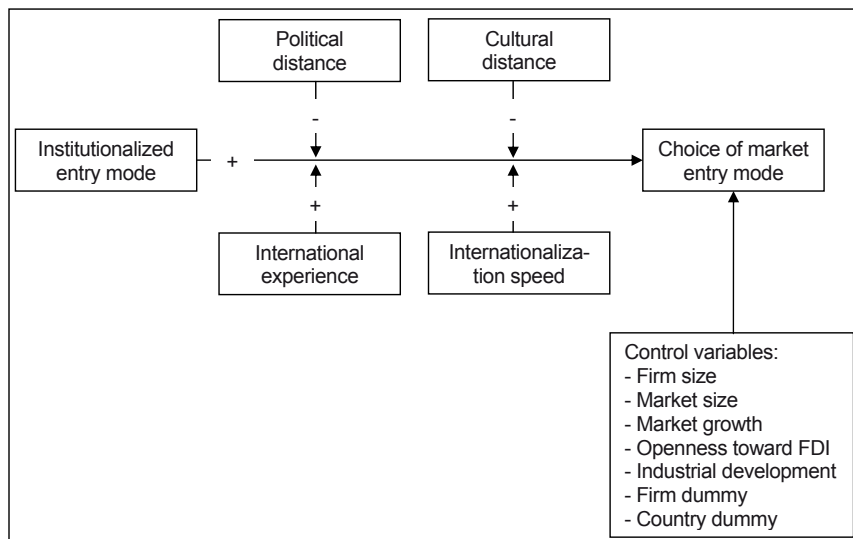


Figure B-1: Conceptual Framework

Source: Own creation.

4.1. Institutionalized Entry Mode and Subsequent Entry Mode Choice

Various concepts pertaining to the evolution of entry modes are first introduced to explain the relevance of institutionalized entry modes for subsequent entry mode choices. Accordingly, Benito, Petersen and Welch (2009) distinguish between the concepts of mode learning and mode inertia by considering the choice of the initial entry mode and the concept of mode dynamics by considering the choice of foreign operation modes. Studies that refer to mode learning through experiences, routines or competencies use resource-based reasoning to argue that the chosen entry modes are those for which the highest amount of resources, such as knowledge, has been accumulated (Padmanabhan and Cho 1999) or use transaction-cost reasoning to argue that the chosen entry modes are those for which the lowest amount of transaction costs, such as opportunity costs, has been acquired (Chang and Rosenzweig 2001). However, previous research has shown that habitual behavior can supersede the conscious awareness of decision makers (Grewal and Dharwadkar 2002; Oliver 1996). Thus, it is assumed in this study that entry mode decisions are based on constraints based on cognitive mindsets rather

than deliberate and conscious evaluations that are formed by habits and inertia to conform to previously established modes. This results in the use of an existing entry mode rather than the pursuit of alternative modes. Furthermore, decisions become with an increasing frequency of adoption a taken for granted approach in the course of time. Thus, institutional theory suggests that firms may use existing institutionalized entry modes in subsequent entry mode choices. Such institutionalized behavior exists “when managers [...] justify actions with the claim that ‘we have always done it this way’, ‘everybody does it this way’ or ‘that’s just the way things are done around here’” (Oliver 1997, pp. 699–700). According to Lu (2002), this organizational imprinting phenomenon is understood as intra-organizational mimic behavior and can, therefore, be described as institutionalized entry modes.

Few of the reviewed studies provide evidence that MNEs use entry modes that have frequently been used in the past in the same host country which underlines the influence of historical norms that lead to institutional persistence (Yiu and Makino 2002). Lu (2002) supports this behavior of manufacturing firms across countries for initial market entries by referring to the concept of intra-organizational mimic behavior, whereas Sanchez-Peinado, Pla-Barber and Hébert (2007) find no support in the context of capital-intensive service firms. However, with respect to the retail context, Huang and Sternquist (2007) argue that institutionalized retail entry modes may influence subsequent entry mode choices because global retailers, such as The Body Shop or Wal-Mart, tend to favor the same shared- or full control entry modes for subsequent market entries.

Hypothesis 1: Institutionalized entry modes enhance the propensity to use the same market entry mode in subsequent initial market entries across countries.

4.2. Moderating Effects of the External Institutional Environment

Institutional theory suggests that external regulative and normative pressures may influence the relationship between institutionalized entry modes and the subsequent choices regarding entry modes. Such external pressures are especially important for international retailers, who are particularly exposed to various regulative pressures, e.g., political-legal requirements, and normative pressures, e.g., culture-specific customer behavior, because of their local

presence with store networks abroad (Bianchi and Ostale 2006). Because retailers evaluate external environments prior to market entry, the regulative and normative distances between the home and host markets may be particularly relevant (Kostova and Zaheer 1999). Consequently, retailers may maintain an entry mode that was predominantly used in the past until regulative and normative distances force them to depart from such an entry mode. Accordingly, this study focuses on the political and cultural distance.

4.2.1 Political Distance

The regulative environment refers “to establish the right to do business in the new market” (Yiu and Makino 2002, p. 670). Firms are therefore forced to conform to the regulative environment, so it can be assumed that greater differences of this environment between the host and home country make it more difficult for firms to transfer strategic routines abroad because such behavior could lead to conflicts (Kostova 1999). Thus, as firms are forced to conform to political pressures, a large political difference may force them to choose entry modes other than institutionalized entry modes. In contrast, a small political distance enables firms to choose an institutionalized entry mode because this mode is legitimate from a regulative perspective.

The literature in the review supports the moderating role of political distance but not in the context of institutionalized entry modes (e.g., Brouthers, Brouthers and Werner 2008; Meyer and Nguyen 2005). Xu and Shenkar (2002) and Xu, Pan and Beamish (2004) show that as political distance increases, firms choose shared-controlled modes to reduce the risk of institutional conflicts, whereas Kostova and Roth (2002) show that with an increasing political distance, firms choose greenfield investments as it facilitates the transfer of business practices. Thus, in both contexts, legitimacy is secured in a local environment if firms depart from their institutionalized modes, i.e., a full control mode in the first context and a shared-controlled mode in the second context. Consequently, increasing political distance moderates the relationship between institutionalized entry modes and subsequent entry mode choices. The moderating effect is also indicated by Schwens and Kabst (2009), who show that the higher the political uncertainty the higher the probability that the entry mode will be changed for a second market entry. Also in the retail context, in which political distance is particularly important because retailers must

conform to regulations that include land planning, pricing and store opening hours (Huang and Sternquist 2007), retailers are forced to employ entry modes with greater resource commitments as local governments aim to attract foreign direct investments (FDI) in their country (Grewal and Dharwadkar 2002; Huang and Sternquist 2007) whereas other retailers, such as the UK retail giant Tesco, were forced to engage in joint ventures with local partners when entering China and Thailand (Samiee, Yip and Luk 2004). In conclusion, it is assumed that different retailers with various institutionalized entry modes depart from their institutionalized entry modes in their host countries with greater political distance to conform to the regulative environment.

Hypothesis 2: The impact of an institutionalized entry mode on the choice of subsequent entry modes will be weaker with a greater political distance between the host and home countries.

4.2.2 *Cultural Distance*

In contrast to the political distance, the cultural distance between a host country and a home country refers to the normative institutional environment to which firms have also to conform by coping with the established local expectations of each respective society (Yiu and Makino 2002). According to institutional theory, a high level of cultural distance makes it difficult for MNEs to transfer strategic routines abroad. Thus, as firms are forced to conform to cultural pressures, a high level of cultural distance may force them to choose an entry mode other than the institutionalized entry mode. In contrast, a lower level of cultural distance makes it more likely that a firm will choose an institutionalized entry mode because this mode is legitimate from a cultural perspective.

The reviewed literature shows that even in meta-analyses (Morschett, Schramm-Klein and Swoboda 2010; Tihanyi, Griffith and Russell 2005), cultural distance shows ambiguous direct effects on entry mode choice so that it is suggested to consider cultural distance as a moderating effect. Xu and Shenkar (2002) and Xu, Pan and Beamish (2004) show that with increasing cultural distance, firms choose shared-controlled modes because when less ownership is employed, local branches are perceived as less “foreign”, whereas Estrin, Baghdasaryan and Meyer (2009) show that with an increasing cul-

tural distance, firms choose full control modes because these modes are less concerned from difficulties in management collaborations due to different norms, values and beliefs in organizational cultures and management styles. Thus, in both contexts, legitimacy is secured in a local environment if firms depart from their institutionalized mode, i.e., a full control mode in the first context and a shared-controlled mode in the second context. Consequently, increasing cultural distance moderates the relationship between institutionalized entry modes and entry mode choices. Also in the retail context, in which cultural distance is of particular importance because of the need for retailers to conform to several stakeholders in foreign markets (Bianchi and Ostale 2006), retailers are forced to employ shared-controlled modes to prevent market failure through missing adaptations (El-Amir and Burt 2008), whereas other retailers are forced to employ full control modes due to highly perceived retail brand equities within a host country society (Lu, Karpova and Fiore 2011). In conclusion, it is assumed that different retailers with various institutionalized entry modes depart from these modes to conform to the normative environment, especially in host countries with a high level of cultural distance.

Hypothesis 3: The impact of an institutionalized entry mode on the choice of subsequent entry modes will be weaker with a greater cultural distance between the host and home countries.

4.3. Moderating Effects of Internal Capabilities

The RBV highlights international knowledge as an important capability of MNEs (Newbert 2007) that may influence the relationship between institutionalized entry modes and subsequent entry mode choices. However, firms accumulate international knowledge as soon as the first country has been entered (Erramilli 1991) and also through the number of country entries within a specific period of time (Oviatt and McDougall 2005; Wagner 2004). Thus, both international experience and internationalization speed may reinforce the employment of an institutionalized entry mode.

4.3.1 International Experience

The process of learning through international experience can be described as “the legacy of firm’s own history” (Colombo 1995, p. 5). With regard to the RBV, firm-specific capabilities, i.e., international experience, arise through

learning processes over time so that the use of an institutionalized entry mode is facilitated in the case of a high level of international experience. Thus, benefits can be increased through accumulated experience and legitimacy can be secured due to the facilitated use of an institutionalized entry mode. In contrast, a low level of international experience causes uncertainty and results in intensive evaluations of the external environment (Haunschild and Miner 1997). Thus, as benefits cannot be increased and legitimacy cannot be secured due to missing international experience, the preference for the use of an institutionalized entry mode may be reduced.

Padmanabhan and Cho (1999) show that organizational routines, which are established through prior experience with a mode, facilitate the use of the same mode in subsequent market entries (for an alliance context, see Madhok 1998) and thus reduce costs and enhance benefits through knowledge transfer (Sambharya 1996). Moreover, for manufacturing firms, Lu (2002) supports the moderating role of country experience on the relationship between intra-organizational mimic behavior and entry mode choices in the same country. Consequently, it is assumed in this study that an increasing amount of international experience reinforces the influence of institutionalized entry modes on the choice of subsequent entry modes. In the retail context for instance, Alexander and Quinn (2002) present the case of Marks & Spencer, which, as the result of internal learning processes (several country openings, exits and re-entries), was able to conclude that franchising is their preferred entry mode abroad, although this mode is not used in their home country. Accordingly, it is likewise assumed that because of increased international experience, the use of an institutionalized entry mode in subsequent market entries is reinforced over time.

Hypothesis 4: The impact of an institutionalized entry mode on the choice of subsequent entry modes will be stronger with a larger amount of international experience.

4.3.2 Internationalization Speed

In contrast to international experience, internationalization speed refers to the number of foreign markets that have been entered over time and encompasses the country scope, i.e., how rapidly foreign market entries are accumu-

lated within a specific period of time (Vermeulen and Barkema 2002). With regard to the RBV, firm-specific capabilities, i.e., the ability to internationalize within a short period of time, emerge through learning processes over time and lead to economies of scale by multiplying a business concept and facilitating the use of an institutionalized entry mode to ensure that legitimacy is secured. Consequently, a high internationalization speed reinforces the use of institutionalized entry modes. In contrast, a low internationalization speed may limit the realization of economies of scale by multiplying the retail format and the securing of legitimacy so that the preference for an institutionalized entry mode may be reduced.

Previous studies show that a high internationalization speed increases the difficulty with which firms adopt new business model configurations (e.g., Hannan and Freeman 1984) and hampers the employment of new organizational routines (Nelson and Winter 2008). Consequently, it is more beneficial to employ an institutionalized entry mode if a firm enters many countries in a short period of time. In the retail context, Carruthers (2003) reports that the fashion retailer Zara has entered 30 countries within only two years by applying the same format transfer strategies, and Swoboda, Zentes and Elsner (2009) report that the German retail giant Metro Group realizes a high internationalization speed using preferred entry modes and formats. Thus, it is hypothesized in this study that a higher internationalization speed makes it more advantageous to employ an institutionalized entry mode in subsequent market entries.

Hypothesis 5: The impact of an institutionalized entry mode on the choice of subsequent entry modes will be greater with a higher internationalization speed.

5. Empirical Study

5.1. Data Set

For the testing of the hypotheses, a panel data set based on secondary data has been employed to analyze causal interferences over time and to ensure the availability of data that are accurately, objectively and contemporaneously documented. A sample of grocery retailers was chosen for analysis because of

the ability to control multilevel sectoral influences that can occur if retailers from further sectors are considered (Brouthers and Hennart 2007; Davis, Desai and Francis 2000) and because the grocery sector is the largest retail sector that attracts different consumer segments and encompasses the broadest range of food and non-food products in contrast with specialized retailers. Data pertaining to the individual foreign market entries of the 30 world-leading retailers were collected because smaller grocery retailers (e.g., those with world rankings of 31 to 50) are either less internationalized or not internationalized at all. Within this group of 30 world-leading retailers, the retailers with less than one percent of foreign sales (e.g., Kroger, Target and Walgreens) and those with only one foreign market (e.g., Sears, Safeway and Woolworth) were excluded. This procedure resulted in 309 country entries of 18 retailers in 82 countries between 1960 and 2007, so that this sample represents the market entries of all internationally operating grocery retailers (Table B-1). Thus, the subjects of analysis are the 309 individual market entries of grocery retailers, which are defined as the first instance in which a retailer operates a local store-based business in a host country from which it was previously absent.

Rank in world according to sales	Retail firm	Founding year	Start of internationalization (first market entry)	Country of origin	Total sales in bn \$	No. of served foreign markets in 2007	Foreign sales ratio in %	Number of initial foreign market entries
20	AEON	1950	1984	Japan	40	3	5	4
23	Ahold	1887	1976	Netherlands	33	8	65	29
13	Aldi	1960	1967	Germany	51	17	41	17
12	Auchan	1961	1981	France	51	11	50	18
2	Carrefour	1959	1973	France	110	31	56	44
21	Casino	1898	1993	France	37	10	32	15
5	Costco	1983	1984	USA	71	7	22	7
29	Delhaize	1867	1970	Belgium	24	7	77	12
19	Edeka	1907	1989	Germany	40	1	5	7
17	Intermarché	1969	1988	France	44	8	10	9
15	Leclerc	1949	1992	France	46	5	6	5
3	Metro Group	1964	1968	Germany	86	32	61	32
9	Rewe	1927	1991	Germany	61	14	29	15
6	Schwarz Group	1930	1989	Germany	69	22	49	22
22	Spar	1932	1947	Netherlands	37	33	56	34
25	Tengelmann	1893	1972	Germany	30	14	42	19
4	Tesco	1924	1993	UK	85	13	27	15
1	Walmart	1962	1991	USA	342	16	25	18

Excluded with foreign sales less than 1% such as Kroger (Rank 7), Target (8), Walgreens (11), CVS (14), Supervalu (26), Wesfarmers (27), Sainsbury (28), Migros (30) or only one foreign market such as Sears (16), Safeway (18), Woolworths (24), specific history of expansion Seven&I (10).

Table B-1: The World Leading Grocery Retailers in 2007

Source: Planet Retail (2008).

The data for all of the variables were collected at the time of market entry because Brouthers and Hennart (2007) state that the most effective method for investigating entry mode decisions is at the time when such decisions are being made. Thus, entry mode decisions are analyzed when they actually occur rather than retrospectively, as in cross-sectional research designs. Firm data, such as the number of employees, were obtained from annual reports, and the year of market entry and the entry mode choices were obtained from the Planet Retail database, which belongs to the leading retail intelligence provider, which covers data on the corporate level across 211 markets (Planet Retail 2011a). Country data were collected from publicly available databases including the World Bank, the Globe study, the Macro Data Guide, Nationmaster and the United Nations World Urbanization Prospects.

5.2. Measurement of Variables

5.2.1 Dependent Variable

As in this study, most contributions in entry mode research acknowledge control as a crucial factor (e.g., Ekeledo and Sivakumar 2004) and, therefore, analyze the choice between full- and shared-controlled entry modes to assure the comparability of the results (Canabal and White 2008). Table B-2 indicates that a full control mode (coded by 1) is composed of wholly owned subsidiaries and acquisitions, in contrast with shared-controlled modes (coded by 0), such as joint ventures, franchise and licenses and minority stakes (Herrmann and Datta 2002; Tan, Erramilli and Liang 2001). As shown in the results section, the results are stable even when acquisitions and franchising/ licensing are excluded from the estimations, as it could be argued that acquisitions do not belong to any entry mode choice and that franchising and licensing are entry modes with no control factors. The distribution of the observed entry modes shows 213 full- and 96 shared-controlled modes, which is according to previous studies in the service sector (e.g., Sanchez-Peinado, Pla-Barber and Hébert 2007).

5.2.2 Independent Variables

The *institutionalized entry mode*, i.e., the entry mode that has predominantly been used in the past, has been measured for the retail sector, as suggested by Huang and Sternquist (2007) and as applied by Lu (2002) and Yiu and Makino (2002) for manufacturers, according to the ratio of the number of full

control modes to the total number of entry modes used for the same company in its host countries (Table B-2).

No.	Variable	Description	Scale	Item characteristic	Sources
<u>Dependent variable</u>					
1	Entry mode	Shared- vs. full control modes	Dichotomous	0/1	Canabal and White (2008)
<u>Predictor variable</u>					
2	Institutionalized entry mode	Percentage of previous market entries that were full control modes	Continuous	0 - 1	Huang and Sternquist (2007); Lu (2002); Yiu and Makino (2002)
<u>Moderating variables</u>					
3	Political distance	POLCONV	Continuous	0 - 1	Henisz (2000)
4	Cultural distance	Distance in Globe dimensions between home and host country according to Kogut and Singh (1988)	Continuous	0 - ∞	Estrin, Baghdasaryan and Meyer (2009); House et al. (2007)
5	International experience	Number of years since the first market entry	Continuous	0 - ∞	Blomstermo, Sharma and Sallis (2006); Brouthers (2002)
6	Internationalization speed	Number of market entries divided by the number of international experience	Continuous	0 - ∞	Chan, Finnegan and Sternquist (2011); Vermeulen and Barkema (2002)
<u>Control variables</u>					
7	Firm size	Number of employees per 10,000	Continuous	0 - ∞	Brouthers, Brouthers and Werner (2008); Erramilli and Rao (1993)
8	Market size	Host country GDP per 10 bn	Continuous	0 - ∞	Barkema and Vermeulen (1998)
9	Market growth	Percentage annual development of GDP	Continuous	$\pm \infty$	Barkema and Vermeulen (1998); Herrmann and Datta (2002)
10	Openness toward FDI	Ratio of FDI over GDP	Continuous	0 - ∞	Contractor and Kundu (1998); Johnson and Tellis (2008)
11	Industrial development	Percentage of urbanization	Continuous	0 - 1	Alon and McKee (1999)
12	Corporate dummy	No corporate vs. corporate of investigation	Dichotomous	0/1	Beck, Brüderl and Woywode (2008); Vermeulen and Barkema (2001)
13	Country dummy	No country vs. country of investigation	Dichotomous	0/1	Beck, Brüderl and Woywode (2008); Vermeulen and Barkema (2001)

Table B-2: Measurement of Variables

Source: Own creation.

Political distance was measured by employing the political constraint index (POLCONV) of Henisz (2000), which is one of the most comprehensive measures for the political environment (Jiménez 2010). To calculate the index value for each country annually from 1960 to 2007, the independent institutional actors with veto power are considered (García-Canal and Guillén 2008). The index ranges from 0, which denotes governments with no veto power by other institutions, such as dictatorships, to 1, which denotes governments in which several institutions have veto powers, such as democracies. To measure the political distance for each market entry, the political constraint values of the home and host country were subtracted from one another, as suggested by Berry, Guillén and Zhou (2010).

The *cultural distance* between the home and host countries was measured according to the Euclidian distance of the dimensions of the Globe study (House et al. 2007; Kogut and Singh 1988) because these dimensions are focused solely on cultural aspects, as suggested by institutional theory. According to Schwens, Eiche and Kabst (2011), this study employs the “practice” indices because these values are particularly suitable for analyzing the influence of culture in an organizational context rather than in a societal context. Moreover, it is particularly important for grocery retail firms to measure the distance between the home and host countries because retailers conduct their market entry decisions mostly centrally in their headquarters instead of by the entities abroad (Håkanson and Ambos 2010; Swoboda, Zentes and Elsner 2009).

International experience is measured by the number of years between the first foreign market entry and the observed market entry (e.g., Blomstermo, Sharma and Sallis 2006; Brouthers 2002). As this study investigates entry mode choice as part of the overall internationalization strategy, this measurement of international experience is more appropriate (Erramilli 1991) because it refers to how international business operations can be used, developed and transferred from one market to another (Johanson and Vahlne 2003).

Finally, *internationalization speed* was measured according to Vermeulen and Barkema (2002), and Chan, Finnegan and Sternquist (2011) in the retail context, based on the average number of market entries per year. Therefore, the number of foreign markets in which a retailer operates was divided by the number of years that the retailer has operated abroad and thus indicates how rapidly foreign market entries are accumulated in a certain period of time which is differently from the scope of international experience (Erramilli 1991). In conclusion, higher computed values indicate a greater number of markets entered per year.

5.2.3 Control Variables

This study controls for the effects of firm size, market size, market growth, openness toward FDI, industrial development and firm and country dummy variables. However, further home country factors were not considered because such factors are already incorporated into the distant measures of political and cultural distance, and their inclusion would lead to only a marginal im-

provement in explanatory power (Brouthers and Hennart 2007). Firm size was controlled for because this factor is considered as a critical resource, particularly for the entry mode choices of retail firms, and is measured according to Brouthers, Brouthers and Werner (2008) using the total number of employees. Market size was controlled for using the amount of the host country's GDP (Barkema and Vermeulen 1998) because it is an important indicator of market attractiveness (Henisz and Delios 2001). Similarly, previous studies have shown an important effect of market growth on entry mode choices (e.g., Agarwal and Ramaswami 1992). Thus, the results are controlled by market growth through measuring with the percentage of GDP development (Barkema and Vermeulen 1998; Herrmann and Datta 2002). According to Contractor and Kundu (1998) and Johnson and Tellis (2008), the influence of openness toward FDI, which indicates whether host countries appreciate FDI by computing the ratio of FDI to GDP, has been controlled. Previous research has also shown that entry mode choices are influenced by the degree of industrial development, which is measured by the percentage of urbanization (Alon 2006). Therefore, this effect has also been controlled. To exclude any biases through unobserved firm heterogeneity, Beck, Brüderl and Woywode (2008) and Snijders and Bosker (1999) recommend the inclusion of fixed effects. Thus, according to Vermeulen and Barkema (2001), firm dummy variables have been included to control for any higher-order effects due to the 18 retailers that were investigated. The same procedure was used with four countries that had more than ten observed market entries.

5.3. *Method*

A binary logistic regression analysis was performed, which is the method used most often for investigating the choice of market entry modes (Canabal and White 2008). Before the analysis was conducted, a separate outlier diagnostic was conducted to avoid biases in the analysis that could result from extreme values. Eight observations were excluded because they exceeded the cut-off points of 3.0, which represents the standardized residuals, and 1.0, which represents the Cook's distance (Cohen et al. 2003). Furthermore, all of the variables were z-standardized prior to the analysis to avoid multicollinearity in models with comprehensive interaction effects (Aiken and West 1991; Brouthers and Brouthers 2003). As illustrated by Table B-3, all of the correlations are be-

low the recommended threshold of 0.7 (Anderson, Sweeney and Williams 2010). Furthermore, the variance inflation factors (VIFs) were calculated and all values are lower than the recommended threshold of 10 (Diamantopoulos and Winklhofer 2001), and the standard error of each independent variable is below 0.8 (Menard 2002). Hence, multicollinearity is not a serious problem in this study.²

² To show that multicollinearity is also not a serious problem when the firm dummy variables are incorporated, the correlation matrix has additionally been calculated including all firm dummy variables as illustrated in Table Appendix-1 in the appendix.

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Mean value	0.690	0.699	0.173	2.336	18.410	0.733	18.240	44.548	0.036	0.059	0.642				
Standard deviation (std)	0.463	0.296	0.239	1.412	13.991	0.356	28.598	106.754	0.039	0.283	18.033				
Minimum	0	0.000	0.000	0.000	0.000	0.170	0.230	0.240	-0.131	0.000	0.000				
Maximum	1	1.000	0.850	10.780	58.000	2.000	200.000	1,007.590	0.129	3.210	3.210				
Variance inflation factor (VIF)	-	1.949	1.148	1.285	1.771	1.369	1.297	1.079	1.095	1.050	1.126	1.085	1.531	2.815	1.366
Standard error	-	0.428	0.174	0.318	0.255	0.259	0.190	0.375	0.196	0.480	0.189	0.215	0.399	0.441	0.353
1 Entry mode	-														
2 Institutionalized entry mode	0.669**	-													
3 Political distance	-0.048	-0.039	-												
4 Cultural distance	0.117*	0.074	0.108†	-											
5 International experience	0.070	0.172**	0.046	0.374**	-										
6 Internationalization speed	-0.111†	-0.123*	0.062	-0.139*	-0.409**	-									
7 Firm size	-0.149**	-0.287**	0.131*	-0.052	0.074	0.172**	-								
8 Market size	0.102†	0.025	-0.075	-0.211**	-0.115*	0.018	0.028	-							
9 Market growth	0.012	-0.026	0.216**	-0.079	0.020	-0.004	0.064	-0.064	-						
10 Openness toward FDI	0.062	0.043	-0.069	-0.062	0.069	-0.109	-0.015	-0.059	0.020	-					
11 Industrial development	0.028	0.068	-0.231**	-0.092	-0.113*	-0.010	-0.123*	0.116*	-0.121*	0.116*	-				
12 Institutionalized entry mode x Political distance	-0.066	-0.049	-0.067	0.065	0.008	-0.109†	-0.165**	-0.005	-0.039	-0.015	0.074	-			
13 Institutionalized entry mode x Cultural distance	-0.144*	-0.262**	0.059	-0.060	-0.027	0.129*	0.160**	-0.036	0.111†	0.011	-0.016	0.062	-		
14 Institutionalized entry mode x International experience	-0.307**	-0.546**	0.003	-0.023	0.207**	-0.053	0.105†	-0.040	0.114*	0.001	-0.097†	0.058	0.518**	-	
15 Institutionalized entry mode x Internationalization speed	0.126*	0.012*	-0.077	0.101†	-0.043	-0.183**	-0.138	-0.023	-0.089	-0.028	0.007	0.150**	-0.148*	-0.366**	-

N = 301. Two-tailed Pearson correlations. † p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001.

Table B-3: Descriptive Statistics, Test of Multicollinearity and Correlation Matrix

Source: Own creation.

5.4. Results

5.4.1 Model Fit

Table B-4 illustrates the results of models 1 to 6, which incorporate stepwise the interaction terms to demonstrate the stability of effects. The overall model fit of the final model 6 is reasonably high with a Nagelkerke's R^2 value of 0.658. Thus, the data demonstrate a good fit with the proposed conceptual framework, and 84.7% of the observations are correctly classified. With regard to the asymmetric size of the full- and shared-controlled modes, this value must be compared with the proportional chance criterion (PCC) value, which is 57.2%. Thus, the classification rate of model 6 is 25% higher than the PCC, which is required to indicate good predictive power (Hair et al. 2010).

Model 2 is compared with Model 6 to demonstrate the increase in the explanatory power caused by the moderating effects. The test provided by Aiken and West (1991) to compare different degrees of Nagelkerke's R^2 shows that the Nagelkerke's R^2 values of 0.624 for Model 2 and 0.658 for Model 6 differ significantly at $p < 0.001$ with a f -value of 7.133. In conclusion, the explanatory power is substantially enhanced by the moderating effects.

Furthermore, rival models, including 1) a model without the acquisition mode and 2) a model without franchising/ licensing-type agreements, have been estimated. Nagelkerke's R^2 increases to 0.710 and 0.740, respectively, and the main effect of an institutionalized entry mode on the choice of subsequent entry modes and the moderating effect of all constructs remain highly significant, as indicated below. Thus, the stability of the present solution may be acknowledged.³

³ For robustness purposes, a binary probit analysis has additionally been carried out on the basis of Generalized Estimating Equations according to Liang and Zeger (1986). However, the results in Table Appendix-2 in the appendix show the same results.

Measures	Dependent variable: Full control mode = 1											
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	Beta	Exp(B)	Beta	Exp(B)	Beta	Exp(B)	Beta	Exp(B)	Beta	Exp(B)	Beta	Exp(B)
<i>Independent variable</i>												
Institutionalized entry mode	2.227***	(9.270)	2.565***	(13.004)	2.679***	(14.568)	2.677***	(14.545)	2.847***	(17.240)	3.191***	(24.311)
<i>Moderator variables</i>												
Political distance			-0.052ns	(0.949)	-0.159ns	(0.853)	-0.160ns	(0.852)	-0.140ns	(0.870)	-0.098ns	(0.907)
Cultural distance			0.901**	(2.463)	0.972**	(2.642)	0.975**	(2.652)	0.985**	(2.677)	0.975**	(2.650)
International experience			-0.624**	(0.536)	-0.640**	(0.527)	-0.640**	(0.527)	-0.772**	(0.462)	-0.705**	(0.494)
Internationalization speed			-0.314ns	(0.731)	-0.324ns	(0.723)	-0.324ns	(0.723)	-0.276ns	(0.759)	-0.101ns	(0.904)
<i>Interaction terms</i>												
Institutionalized entry mode x Political distance					-0.411*	(0.663)	-0.411*	(0.663)	-0.395*	(0.674)	-0.477*	(0.620)
Institutionalized entry mode x Cultural distance							0.012ns	(1.012)	-0.292ns	(0.747)	-0.357ns	(0.700)
Institutionalized entry mode x International experience									0.644†	(1.904)	0.996*	(2.707)
Institutionalized entry mode x Internationalization speed											0.905**	(2.471)
<i>Controls</i>												
Firm size	0.226ns	(1.254)	0.409*	(1.505)	0.391*	(1.478)	0.389*	(1.476)	0.418*	(1.518)	0.590**	(1.803)
Market size	0.693*	(1.998)	0.789*	(2.201)	0.834*	(2.302)	0.832*	(2.299)	0.831*	(2.296)	0.929*	(2.531)
Market growth	0.114ns	(1.121)	0.167ns	(1.182)	0.137ns	(1.147)	0.137ns	(1.147)	0.141ns	(1.151)	0.110ns	(1.116)
Openness toward FDI	0.399ns	(1.490)	0.480ns	(1.616)	0.474ns	(1.606)	0.473ns	(1.605)	0.524ns	(1.689)	0.519ns	(1.680)
Industrial development	-0.094ns	(0.910)	-0.064ns	(0.938)	-0.030ns	(0.970)	-0.031ns	(0.970)	-0.025ns	(0.975)	0.034ns	(1.034)
Constant term	1.161 ***	(3.195)	1.349***	(3.853)	1.363***	(3.910)	1.365***	(3.914)	1.319***	(3.740)	1.332***	(3.787)
<i>Model indices</i>												
N	301		301		301		301		301		301	
Model chi-square	159.2***		175.9***		179.5***		179.5***		182.3***		189.3***	
Cox & Snell R ²	0.411		0.443		0.449		0.449		0.454		0.467	
Nagelkerke's R ²	0.579		0.624		0.633		0.633		0.640		0.658	
Correct classification	83.1%		85.0%		84.7%		84.4%		85.0%		84.7%	

† p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001, ns = not significant.

Table B-4: Results of Hierarchical Logistic Regression Analysis

Source: Own creation.

5.4.2 *Main Effect*

According to hypothesis 1, it is suggested by the organizational imprinting effect that the more often an entry mode has been used in the past the higher the propensity to use the same entry mode in subsequent market entries. The positive coefficient is highly significant ($\text{Exp}(B)=24.311$; $p < 0.001$) and strongly supports this hypothesis, as shown by the high odds ratio. Thus, entry mode choices are particularly dependent on the entry modes that have been frequently used in the past.

5.4.3 *Moderating Effects*

In hypothesis 2, it is assumed that the aforementioned relationship will be negatively influenced by a great amount of political distance between the host and home countries because retailers must conform to local conditions. The negative coefficient ($\text{Exp}(B)=0.620$; $p < 0.05$) suggests that retailers do adapt their institutionalized entry modes in countries with a great amount of political distance. However, because of the nonlinear relationship in the logistic regression, it is recommended to visualize the moderating effects to facilitate their interpretation. Thus, the moderating effect of political distance is shown in visual form in Figure B-2, according to the approach of Jaccard (2001), by computing one standard deviation above and below the mean of the moderating variable. As illustrated, in host countries with a great amount of political distance, retailers that predominantly used a full control mode in the past are less likely to use a full control mode than are countries with less political distance and retailers that predominantly used a shared-controlled mode in the past shift toward the use of full control modes. Thus, it can be concluded for the case of a large political distance that retailers depart from their institutionalized entry mode. However, although the coefficient is significant, the odds ratio indicates a smaller effect than that observed for the other interaction terms.

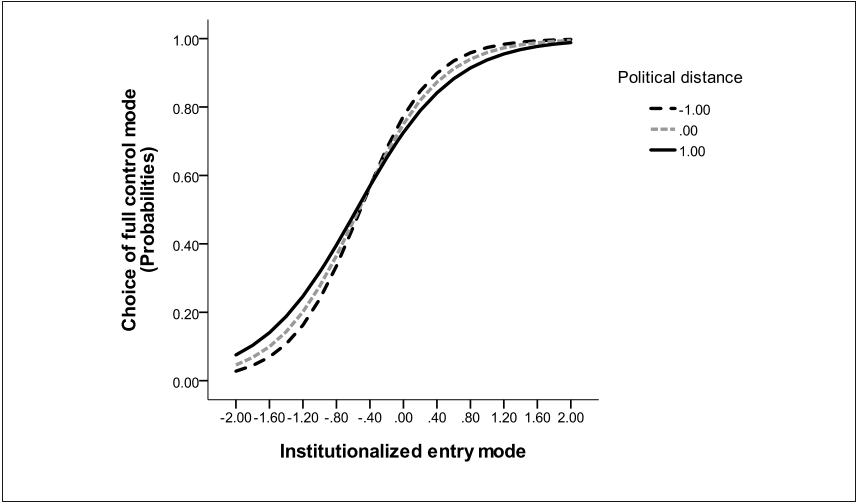


Figure B-2: The Moderating Effect of Political Distance

Source: Own creation.

In hypothesis 3, it is assumed that a retailer tends to depart from the institutionalized entry mode when the cultural distance between the host and home countries is large. It is argued that strategic routines are less easily employed in culturally distant markets because a greater amount of cultural distance results in a greater need to conform to local conditions. The negative beta coefficient in Table B-4 is in the expected direction but is not significant. Thus, hypothesis 3 is rejected. Three reasons could explain this result. First, this study only employs the cultural distance measure of the Globe study. Second, cultural distance has already been shown to have ambiguous effects in previous meta-analytic research contributions on entry mode choice. Third, retail entry mode choices with respect to institutionalized entry modes may be less strongly affected by cultural distance than is suggested by previous research.

Based on the RBV, it is assumed that as firm-specific capabilities are developed over time, organizational routines become reinforced. Therefore, hypothesis 4 posits that greater international experience results in a greater propensity to employ the same entry mode that has predominantly been used in the past. The positive coefficient in Table B-4 is strongly significant ($\text{Exp}(B)=2.707$; $p < 0.05$), as the comparably high odds ratio indicates. Thus, hypothesis 4 is

supported. Figure B-3 shows that when there is a high level of international experience, retailers with a predominantly used full control mode are more likely to use a full control mode than in the case of low international experience. The opposite pattern is also true for shared-controlled modes.

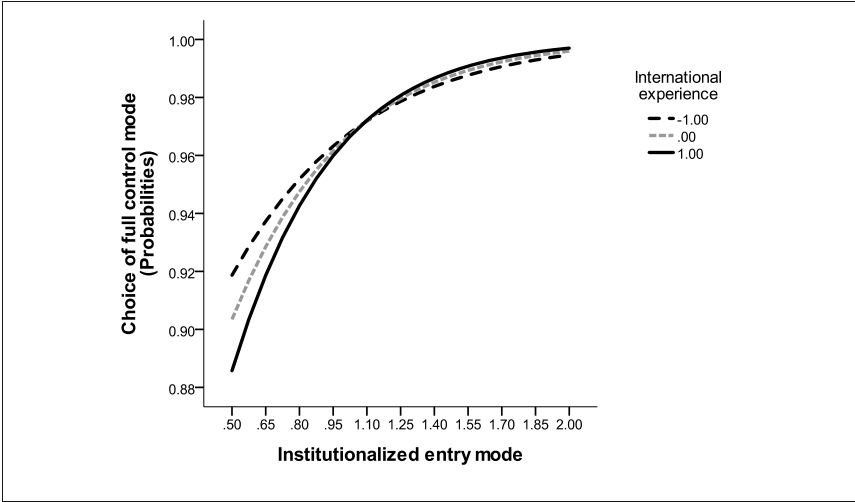


Figure B-3: The Moderating Effect of International Experience
Source: Own creation.

Hypothesis 5 states that internationalization speed reinforces the propensity to employ an institutionalized entry mode. Thus, it is assumed that firms that internationalize rapidly follow a strategic routine. The results in Table B-4 support this assumption ($\text{Exp}(B)=2.471$; $p < 0.01$). Figure B-4 shows that a retailer with high internationalization speed who has predominantly used a full control mode in the past favors the continued use of a full control mode. The opposite pattern holds also for shared-controlled modes. Furthermore, the high odds ratio indicates that the moderating effect of internationalization speed is particularly strong. Thus, retail firms that began to internationalize early and enter many markets within a short period of time tend to use institutionalized entry modes.

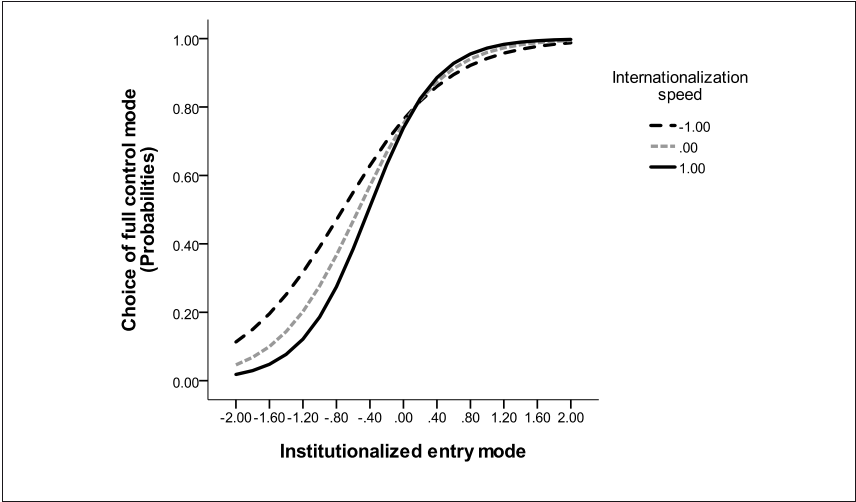


Figure B-4: The Moderating Effect of Internationalization Speed
Source: Own creation.

5.4.4 Control Variables.

According to previous observations of market entry mode choices, firm size and market size are significantly and positively linked with the choice of a full control mode. The effects of openness toward FDI, market growth and industrial development are not significant. For controlling of changes through the observed 18 retailers, three out of 17 firm dummies (not shown in Table B-4) were significant, and the results remained unchanged when the firm dummy variables were omitted, whereas the four country dummy variables do not show any significant effect.⁴

6. Discussion

This study examines the influence of an institutionalized entry mode on the choice of a subsequent entry mode and, therefore, not on the choice of the

⁴ Due to shortcomings of the firm dummy approach, the results have also been checked by a binary logistic regression based on Generalized Estimating Equations Liang and Zeger (1986). The results remain nearly the same as illustrated in Table Appendix-3 in the appendix.

most efficient entry mode (Sarkar and Cavusgil 1996). Furthermore, the moderating effects of the external institutional environment and of firm-specific capabilities are analyzed in the context of international retailers because retailers are strongly dependent on the external institutional environment, given their local business and the intangible capabilities within the internationalization process. Such a specific context can be considered as strength of this study because this context addresses a seldom-investigated part of the service sector, or it can be viewed as a weakness because the generalization may be limited. However, this under-researched area regarding the effects of institutionalized entry modes is relevant because entry mode choices are known to be critical decisions with respect to international expansion. With respect to institutional theory, the results strongly support the argument that past decisions influence subsequent entry mode choices. Moreover, external institutional factors, i.e., political and cultural distance, force firms to adjust their institutionalized entry modes. Empirically, regulatory pressures have a negative moderating effect on the relationship between the institutionalized entry mode and subsequent mode choices. With respect to the RBV, internal capabilities, such as international experience and internationalization speed, reinforce this behavior. These observations provide two major research implications and conclusions for managers.

6.1. Research Implications

With respect to the first research question concerning the extent of the effect of institutionalized entry modes on subsequent entry mode choices, the results underline the strong influence of institutionalized entry modes on subsequent entry mode choices over time. Thus, according to Huang and Sternquist (2007), it can be concluded that institutionalized entry modes provide a useful explanation for the dynamics of entry mode choices in different countries in the retail context. Furthermore, in response to the works of Canabal and White (2008) and Brouthers and Hennart (2007), this study uses a panel approach to provide a more realistic view about how entry modes are actually chosen and to emphasize the choice of an entry mode as a dynamic process. This study extends the studies on entry mode choice that are typically static in nature (Andersen 1997) and provides new insights with respect to those studies that focus only on external institutional pressures and disregard internal institution-

al pressures. The results support three previous studies regarding sequential market entries into a single host country (Chang and Rosenzweig 2001; Yiu and Makino 2002) and market entries into different host countries (Lu 2002). Finally, especially in retail, institutions are more than simply background conditions but they represent 'the rules of the game', as North (1990) states, and are especially able to impose pressure on the choice of the foreign market entry modes (Meyer and Peng 2005). Moreover, the applied measurement of intra-organizational behavior over time highlights the inherent nature as a process of actions that becomes taken for granted over the course of time. However, further studies that investigate the formation of institutionalized entry modes are important because institutionalized entry modes may be influenced by both institutional pressures and mode learning (Benito, Petersen and Welch 2009) and thus strategic decisions. Hence, this study calls for research about the antecedences and differences of entry mode evolution, e.g., mode inertia and mode learning.

With respect to the second research question concerning the moderating role of external institutional pressures and the internal capabilities of the relationship between institutionalized entry modes and subsequent mode choices, the results show that firms depart from their institutionalized entry modes in politically distant countries. Thus, this study finds evidence of institutional duality meaning that subsidiaries abroad encounter dual pressures (Rosenzweig and Singh 1991). Foreign branches must respond to pressures within an organization and to local institutional pressures in a host country. The results of this study emphasize the existence of particularly strong pressures from inside of a firm with respect to entry mode choice, whereas pressures from the external institutional environment counter this effect. However, this study includes only two specific regulative and normative variables. These two variables could be enhanced by considering further proxy variables for the regulative and normative institutional environment that may have different effects. In contrast, with increasing international experience and internationalization speed, the use of an institutionalized entry mode is reinforced. Thus, the compatibility of the RBV and institutional theory is evident as the increase in intangible resources leads to an efficient use of institutionalized entry modes and the securing of internal legitimacy. Both of these conclusions are discussed below.

First, this research is one of the first studies that combine all three institutional pressures to which an organization must respond to strive for legitimacy. The results show that external institutional pressures decrease the influence of internal institutional pressures. Firms employ rather institutionalized entry modes within politically close countries but depart from this behavior in countries with antagonistic environments. However, although the results do not confirm the moderating role of cultural distance, they do show a tendency in this direction and may thus provide the basis of a promising area of further research (e.g., based on different or specific cultural measures in the retail context Huang and Sternquist 2007). Although the effect of entry mode choice on performance was not considered in this study, Brouthers (2002) has shown that the entry modes that are suggested by theories perform better than the entry modes that do not correspond with theoretical underpinnings. Similarly, it could also be assumed that an institutionalized entry mode that is adjusted according to the external and internal environments would be more successful than an entry mode that is not legitimized and not consistent with internal capabilities. Thus, research regarding the performance effects of institutional duality may be promising.

Regarding the RBV, the results underline that international experience and internationalization speed reinforce the institutional behavior of firms with respect to their entry mode choice, which suggests the compatibility of both theories. Therefore, international experience and internationalization speed lead to the use of the same entry mode rather than, for example, an efficiency-driven variation of modes. Thus, international experience and internationalization speed facilitate the use of organizational routines to ensure that economies of scale can be realized and can even assist in overcoming external institutional barriers (Schwens, Eiche and Kabst 2011). However, in this study, only the higher magnitudes of international experience and internationalization speed support such an implication. Thus, this interrelationship may be a promising field for further research.

6.2. *Managerial Implications*

This study also provides managerial implications by highlighting the view of expansion managers with regard to entry mode choices in retail firms and the role of the moderating effects.

Expansion managers in MNC are clearly aware of their institutionalized entry modes. These managers conform to internal isomorphic pressures to ensure that the complex process of entry mode choice occurs through a decision-making heuristic that is an 'efficiency-satisfying' solution rather than an 'efficiency-maximizing' solution because time and effort have been saved (Simon 1959). These managers may acknowledge that an institutionalized entry mode may be the most efficient international expansion strategy. However, it is questionable whether managers will actually select new country markets on that basis. In this case, consequences arise. Specific entry modes may determine the functions, steps and criteria that are applied in country selection models, which may be standardized and, therefore, more efficient. However, managers must ask themselves whether they will select the most promising countries or the countries that are the most promising for their specific institutionalized entry mode. This difference is important because those who select the latter may have disadvantages compared with their competitors who select the most attractive markets first and then choose the most efficient entry mode. Thus, managers must understand that entry modes determine long-term foreign performance (Gielens and Dekimpe 2007) and that entry mode choice and market selection are two distinctive decision processes that drive international performance.

Huang and Sternquist (2007) conclude that retailers must identify institutional pressures to understand their different magnitudes and to strategically manage the institutional environment. However, such management is probably not feasible in practice. This study indicates a few factors that significantly lead to reconsideration with respect to institutionalized entry modes. For example, regulatory institutions are observable prior to mode decisions and could be easily included in market selection models, whereas normative institutions may be less easily evaluated prior to decisions. Furthermore, the relevance of such factors and of the institutionalized mode might depend on firms' internationalization speed, flexibility or different reasons for entering a country (e.g., a new market with high potential vs. peripheral countries). Thus, managers need a broad understanding of the interdependencies among the challenges of international expansion, e.g., challenges related to the questions of which market to select, how to enter a market and how to serve a market.

6.3. *Limitations and Further Research*

Finally, some concluding remarks concerning the limitations of this study are offered, and some avenues for further research are suggested. First, the generalization of the results may be limited because only grocery retailers were analyzed. In other words, results that pertain to specialized non-food retailers or firms from other industries may differ from those obtained in this study. However, as examples of other industries, Zara, H&M, The Body Shop, Sephora and Starbucks seem to use institutionalized entry modes, as stated by Huang and Sternquist (2007). Second, although full and shared-controlled modes have been distinguished, a more fine-grained comparison may provide different insights, for example, with regard to addressing different equity holdings in WOS or franchising/ licensing contracts that are particularly important in non-food retailing and will enable multinomial regression analysis but are not provided by Planet Retail. Third, the results might be dominated by a few retailers with many foreign entries (e.g., Carrefour) even though the firm dummy variable does not indicate any important significant effect. However, although multi-level analyses may be appropriate, the data do not allow such analyses in this study. Furthermore, the host country-related variables were measured with respect to the year of market entry, which could be questioned because grocery retailers must establish new value chains in new host markets, and this process requires time. Hence, the market entry decision process could begin one or two years prior to entry or could occur during the year of entry, which cannot generally be estimated. Finally, cultural distance was measured with the Globe dimensions for one specific point in time and only between the home and host country, but cultural distance may actually change over time (e.g., Shenkar 2001).

Thus, further research may address these limitations and questions that extend beyond this study, such as those related to the performance of institutionalized entry modes, the effect of management changes on institutionalized entry modes or inter-organizational mimic behavior, which also influences entry mode choices (Lu 2002). With respect to performance, one could argue that an institutionalized entry mode is legitimized by the internal and external environment, but one could also question whether an institutionalized entry

mode represents antiquated structures that render the implementation of an institutionalized entry mode as less successful.

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