

A NETWORK BASED THEORY OF FOREIGN MARKET ENTRY MODE AND POST-ENTRY PERFORMANCE

Jing'an Tang

Assistant Professor of Strategy and International Business
John F. Welch College of Business
Sacred Heart University
5151 Park Ave., Fairfield, CT06825
USA

Ben S. Liu

Professor of Marketing
Lender School of Business
Quinnipiac University, 275 Mt. Carmel Avenue
Hamden, CT 06518
USA

Abstract

Foreign market entry through equity investment has been extensively studied and various theoretical lenses have been used. Most previous research also focuses attention on either the entry mode selection decision or the topic of post-entry performance, but rarely both. We build on existing research by developing a model of foreign market entry and post-entry performance that uses network theory and organizational ecology to provide a fuller explanation of this complex and critical multinational enterprise strategic behaviour. Four pairs of total eight propositions were developed and justified based on extent literature and sound logical reasoning. By focusing on both entry mode choice and the post-entry performance implications of these choices, we cover both sides of the logic of profit as a function of both costs and revenues. Finally, potential managerial implications are discussed at the end.

Key Words: Business performance, foreign entry mode, network, organization ecology, foreign entry performance, transaction cost economics

INTRODUCTION

A multinational enterprise (MNE) seeking to enter a new foreign market must make an important strategic decision on two related but distinct issues. The first involves the choice between a non-equity entry mode such as exporting through agents and licensing and an equity-based entry mode in which the local enterprise is either partially owned or wholly owned. Second, if an equity mode of entry is selected, the issue of whether to acquire an existing firm (acquisition), collaborate with a local firm (joint venture) or establish a completely new plant has to be decided (Morschett, Schramm-Klein, & Swoboda, 2010). Our interest in this paper is limited to the choice of equity-based entry modes, defined as investment that involves ownership and confers effective management control (Agarwal & Ramaswami, 1992), of which there are four types: wholly owned subsidiaries (WOS), equity joint ventures (JVs), acquisitions and capital participation (Delios & Beamish, 2001; Woodcock, Beamish, & Makino, 1994; Yiu & Makino, 2002).

While redundant for some, we feel it important at the beginning to define the terminology used throughout the paper. WOS reflects a start-up investment in new facilities. Joint venture refers to the pooling of assets in a common and separate organization by two or more firms who share joint ownership and control over the use and fruits of these assets. Acquisitions refer to the purchase of stock in an existing company in an amount sufficient to confer control (Kogut & Singh, 1991). Capital participation is a foreign entry made by the expansion of an existing domestic operation as funded by the foreign investor (Beamish, Delios, & Makino, 2001). Because capital participation has been less frequently used in practice and drawn little attention from researchers, in this paper, we will concentrate on the first three equity-based entry modes. Different equity ownership structures have different implications on their characteristics in terms of organizational control and resource commitments (Chang & Rosenzweig, 2001; Harzing, 2002; Morschett et al., 2010).

WOS offer the greatest control over the local affiliate, yet require the longest time for establishment and the greatest contribution of resources. JVs are a way to draw on the resources of a local partner and to minimize risk, but also raise sticky issues of managing relationships with partners whose interests may diverge over time. Acquisitions offer the fastest means of building a sizable presence in a foreign market, yet are fraught with risks of overpayment, inability to fully assess the value of acquired assets, and post acquisition challenges including cross-cultural integration (Chang et al., 2001).

Numerous studies have investigated factors that might influence the choice for various entry modes (see Morschett et al., 2010 for a review). Most of these studies follow a transaction cost theory framework and focus on the economic factors that influence firms costs and benefits (e.g. Brouthers, 2002; Brouthers & Brouthers, 2000; Chang et al., 2001; Chen & Hennart, 2002; Delios & Beamish, 1999; Lu, 2002; Makino & Neupert, 2000; Morschett et al., 2010; Papyrina, 2007; Theingi & Tang, 2007; Zhao, Luo, & Suh, 2004), while other studies have turned to factors that are less economically oriented (Brouthers, 2002; Chang et al., 2001; Davis, Desai, & Francis, 2000; Delios et al., 1999; Duanmu, 2011; Harzing, 2002; Li, Yang, & Yue, 2007; Lu, 2002; Luo & Shenkar, 2011; Meyer & Nguyen, 2005; Papyrina, 2007; Tihanyi, Griffith, & Russell, 2005; Yiu et al., 2002). This long stream of research has led to substantial agreement on factors that influence entry mode decisions. However, most of these studies separate entry mode selection from post entry performance, which might have less value to MNE managers who are primarily interested in performance more than anything else. In addition, these studies have not found a strong and consistent relationship between entry mode selection and post entry performance (Morschett et al., 2010).

Our approach will go beyond transaction cost theory and institutional theory, drawing on both network theory and organizational ecology to develop a fuller model of the complex strategic behaviour of MNEs. We conceptualize an MNE's entry into a new foreign market by equity investments as the founding of a new firm, which serves as a node connecting the MNE's existing network with the external business network (social structure) in the host country. Forms of founding will have effects on, and be affected by, the ecological environment; types of nodes will have influences on, and be influenced by, the characteristics of networks being connected. Because different equity entry modes represent different forms of founding and different types of nodes, the characteristics of MNE internal network and host country external network will influence entry mode selection and performance.

CONCEPTUALIZATIONS

Forms of subsidiary founding. As we discussed above, different entry modes represent different forms of founding of the new MNE subunit. To ensure that our conceptual ideas are shared by all, we provide the following analogies. WOS are similar to a parent cloning itself and giving birth to a new baby. Joint ventures with a local partner are similar to marriage, resulting in the birth of a baby that has characteristics from both parents. Acquisition is similar to adoption in that an MNE finds an entity in the local country and transforms the adopted business into a new entity under the MNE umbrella. While similar to a domestically founded organization that would be exposed to the liabilities of newness and adolescence (Bruderl & Schussler, 1990; Carroll & Hannan, 1989a; Stinchcombe, 1965), MNE subunits are born with two additional imprinting characteristics: 1) the liability of foreignness (Hymer, 1960/1976; Kostova & Zaheer, 1999; Zaheer, 1995); and 2) a strategic function within the current MNE network and a mission to connect the MNE with host business networks. The ultimate performance measure of these newly born subunits should be to counter the liabilities of newness, adolescence and foreignness, and survive the local environment to realize the parent MNE's strategic goal. Based on these assumptions, we integrate entry mode selection directly with a subunits' post-entry performance. Because a subunit's primary function is to connect an MNE's existing network with the host business network, we develop our argument from a network theory framework and revisit the conceptualizations of MNE.

Characteristics of a network. The task of defining a network involves specifying the set of nodes and the relationships between them (Laumann, Glaskiewicz, & Marsden, 1978). Nodes, relationship and linkages are the basic elements of a network. In this paper, we characterize network along two dimensions: structural attributes, which focus on density of nodes and linkages, and content attributes, which are concerned with relationships and types of resource flows within the network.

MNE as an interorganizational network. MNEs have long been regarded as a distinctive organizational form, with some researchers explaining their structure and attributes from the perspective of technical and economic

rationality (Beamish & Banks, 1987; Kogut, 1983) while others adopt a more social perspective (Bartlett, 1986; Westney, 1999). In this paper, we adopt a social and institutional view. The uniqueness of the MNE as an organizational form arises from the fact that its different constituent units are embedded in different national environments in which the structure of these relational networks can be, and often are, very different (Westney, 1999). This view is consistent with the view of a “network organization” (Powell, 1990), which emerges from the importance of internal networks in the model of the “new organization”. We conceptualize a multinational enterprise as a group of geographically dispersed and goal-disparate organizations which include its headquarters and the different national subsidiaries (Andersson, Forsgren, & Holm, 2002; Ghoshal & Bartlett, 1990; Lee, Lee, & Pennings, 2001).

Internal network and external network. As detailed above, an MNE can be conceptualized as an interorganizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, and regulators, with which the different units of the multinational must interact. An ownership boundary can be drawn between an MNE’s internal and external networks. The internal network consists of MNE headquarters and its geographically dispersed country units that are bound by ownership ties. The external network consists of all other organizations and institutions, such as customers, suppliers, competitors, and regulators with which the MNE interacts. A newly founded subsidiary, whether established through a WOS, a joint venture, or an acquisitions serves as a node that connects the MNE’s internal network with the external network in the host country. Therefore, selection of entry modes would be determined by the characteristics of internal MNE network and external networks. As discussed above, we focus on both structural and content network characteristics in developing our entry mode selection and performance model.

Network Structural Attributes and Entry Mode Selection

Network density is a key structural property that refers to the extent of interconnection among the actors of the network – the greater the interconnectedness, the higher the density (Gnyawali & Madhavan, 2001; Miller & Eden, 2006). That is, density measures the extent to which actors (nodes) within a network are connected, on average, to one another (i.e., the mean relation from any one actor to any other actor). Previous research has defined linkage density as the percentage of actual to potential ties among members of a network (Abrahamson & Fombrun, 1994; Ghoshal et al., 1990; Gnyawali et al., 2001; Miller et al., 2006). In the same manner that we distinguish an MNE’s internal network from its external network, we can also distinguish a network’s structural attributes in terms of internal density and external density. Focusing on linkage density is theoretically appealing because the density of an interorganizational network is a good predictor of the structural homogeneity among nodes in a network. Abrahamson and Fombrun (1994) argued, “Greater density in an exchange network causes a denser network of interorganizational social ties through which ambiguity-reducing categorizations come to be shared more extensively, giving rise to a more homogeneous macroculture.” In addition, density of linkages among key players influences industry performance and company strategy (Bower, 1987). After this brief clarification of our use of network terms, we now proceed to develop the causal relationships between internal and external network densities and the constructs of MNE entry mode selection and post-entry performance.

Internal network density. MNEs with high internal density refer to situations where existing subsidiaries are closely and tightly connected. In such situations, headquarters often imposes controls on the various subunits, and also demands strong degrees of coordination among subunits. Such a high internal density situation results in close monitoring on the new subunits. In addition, because high internal density leads to increased homogeneity across the subunits of an internal MNE network, any new members in the network will be increasingly similar to other subunits. This relatedness and homogeneity with the parent and other subunits does not equally affect the three different modes of entry. It seems plausible that internally developed subunits (wholly owned subsidiaries) would be more likely to be able to match the structural requirements of the parent firm and other units and thus merge into an existing internal MNE network than acquired businesses or joint ventures. Relative to an acquired entity, WOS are usually a great deal more compatible with the parent firm in terms of culture, systems, and procedures. Moreover, because in a dense network managers leading the internally developed business are more likely to have work and social connections with their counterparts in other operating divisions of the firm, they are likely to more effectively draw upon relevant resources. In contrast, operations of acquired businesses or joint ventures are often disrupted as the new parent attempts to integrate them within the parent umbrella. In addition, because of a lack of history between managers of the acquired business and new parent, it is also likely the theoretical benefits for the within network are hard to realize (Sharma, 1998).

Therefore, under a dense internal network, an MNE that chooses a WOS for market entry would be more likely to realize the benefits of close ties between the parent and existing subunits to get efficiency. Although an MNE could impose full control on a newly acquired firm, it will also incur costs in integrating the business into its current network. Therefore, acquisition as a foreign market entry mode choice should fall after that of a WOS. Because a joint venture involves new partners outside the current MNE network, the MNE has to share controls on the new subunit. It is harder to integrate a partially owned subunit into the network than one involving full control. On the contrary, if the internal linkages are not extensive, the requirements of structural similarity for new members will not as restrictive, and therefore a joint venture would make a logical choice. The logic behind the importance of structural similarity is to improve post-entry performance. Under the contingency of a dense internal network, a WOS would perform better than an acquisition or joint venture. Formally, we offer the following propositions:

Proposition 1a: Under a dense internal network, MNE will tend to choose WOS entry mode, followed by acquisition and joint venture mode.

Proposition 1b: Other things being equal, under the conditions of a dense internal network, WOS will perform better than acquisitions and joint ventures.

External network density. In establishing a new subsidiary in a host country, MNEs need to consider the external network density as well. The density of an MNE's external network influences its foreign market entry choice in two ways: the associated difficulties in building new linkages with the existing local network, and the probability of retaliation from incumbents in the external network. In the host country, local networks that are tightly connected restrict an MNE's access to the market due to their enduring patterns of repeat trading and persistent relationships. Opportunities are thus foreclosed to newcomers, either intentionally or more subtly through such barriers as unwritten rules or informal codes of conduct (Powell, 1990). Also, strong and multiplexed ties among existing members of the national organization sets will lead to exclusion from the sets of those who cannot establish equally strong and multiplexed ties with other members (Granovetter, 1985). Westney and Sakakibara's (1985) study of the R&D activities of Japanese and American computer companies illustrates the constraining effects of external network density. Their study finds that Japanese R&D centers of some American computer companies were unable to tap into local skills and technologies because they lacked manufacturing and marketing activities, which effectively hindered the establishment of linkages with the local "knowledge networks" (Westney & Sakakibara, 1985).

When it comes to entry mode choices, some entry modes are more likely to counter these network barriers than others. Because a WOS establishes a new unit outside the local network, it would be much more costly to establish linkages with a vast number of nodes. If an MNE enters a target market by acquiring a current node in that network (acquiring a local firm), it will acquire the linkages attached to the acquired firm, therefore becoming one of the nodes in the existing local network. Similarly with a joint venture partner, the linkages attached to the local partner would be shared with the new subunits.

Another big issue for new entrants to a dense external network is the possible retaliation from incumbents. Incumbent reaction to new entry may depend on how the cost of retaliation is shared among them. The incumbent that retaliates against an entrant incurs private costs in taking actions unilaterally. If the entrant is eventually forced to exit, the benefits accrue to all incumbents (Sharma, 1998). Since dense networks function as "closed" systems, trust, shared norms, and common behavior patterns develop more easily. It also facilitates effective sanctions. The threat of sanctions is more likely and more effective from a dense external network since the reputation effects of sanctions are amplified (Gnyawali et al., 2001; Granovetter, 1985). With coordinated incumbent strategies, new entrants to a dense network will be more likely to face retaliation. However, different ways of connecting to this dense network might encounter different degrees of retaliation. Because a WOS as a completely new unit to an existing host network, incumbents would be more likely to retaliate. Because acquisitions involve the replacement of one of the current market players, it will not likely be viewed as such a threat to incumbents in terms of resource exchanges and ties. As a result, an acquisition is less likely to spark retaliation from current market incumbents. Joint ventures likely fall somewhere between these two situations, with the degree of incumbent retaliation at least partially a function of how the local partner relates to that network.

Because acquisitions and joint ventures are less likely to face retaliation and also easier to establish linkages and connect to the existing host network, we expect that acquisition or joint venture entry modes, under dense external networks, will perform better than WOS. Stated formally, we offer the following proposition.

Proposition 2a: To facilitate connecting to a dense external network, MNEs will tend to choose acquisition or joint venture entry modes rather than WOS.

Proposition 2b: Other things being equal, under conditions of high external network density, acquisitions or joint ventures will perform better than WOS.

Network Content Attributes and Entry Mode Selection. Linkages and nodes only represent the structural characteristics of a network (Borgatti & Foster, 2003; Brass, Galaskiewicz, Greve, & Tsai, 2004). Organizations do not establish linkages just for the sake of building a network, but rather to exchange resources. The resources flows within the network define the content attribute of a network. We conceptualize that entering a foreign market is analogous to founding a new firm, which will face the liabilities of newness and adolescence (Bruderl et al., 1990; Carroll et al., 1989a; Stinchcombe, 1965). Additionally, MNE subunits will also face the liability of foreignness (Hymer, 1960/1976; Kostova et al., 1999; Zaheer, 1995). Therefore, the immediate goal of these newly born subunits should be to counter the liabilities of newness, adolescence and foreignness, allowing the subunit to realize the parent MNE's strategic goals in the new market. Different entry modes will affect a subunits' ability to counter these liabilities. Resource availability from the internal and external network is the key determinant of success during this founding process. As an analogy, a baby is usually born with initial stock of resources from its parents (internal network), which sustains the baby until the age that it can support itself by acquiring resources from its environment (external network). Therefore the mode used to connect the internal network and external network should be influenced by the content attributes of these two networks (i.e., the resource availability of network). Below, we examine the availability of internal and external resources respectively and their influence on MNE foreign entry mode selection.

Internal Network Resource Availability. The liability of newness refers to the propensity of younger organizations to have higher failure rates than older organizations (Stinchcombe, 1965). Organizational failure rates decline with age as roles and routines are mastered and links with external constituents are established, and the liability of newness is a cornerstone of the age dependence elements of organizational ecology (Freeman, Carroll, & Hannan, 1983). Young organizations are more vulnerable because they have to learn new roles as social actors and create organizational roles and routines at a time when organizational resources are stretched to the limit. Selection pressures favor organizations with high reproducibility, which is often lacking in young or new organizations (Hannan & Carroll, 1992; Hannan & Freeman, 1989). All new organizations start with an initial stock of assets that buffer them from failure during an initial "honeymoon period." The larger the initial stock of assets, the longer the period in which the organization is buffered. As the original stock of assets is depleted, organizations face increasing pressures from a liability of adolescence (Bruderl et al., 1990); and those organizations that are unable to establish necessary roles and routines or develop stable relationships with important external constituents are more likely to fail. Regarding a new MNE subunit, two categories of resources are critically important: transferable routines from the MNE's internal network **and financial resource commitments from the MNE's internal network.**

Routines are the genes and processes that the MNE follows in its operations. An MNE entering new foreign markets will often transfer routines to its new subsidiary, but often these organization-level routines are not necessarily applicable in the local environment. In terms of usefulness to newly established subunits, routines can be grouped into three categories: readily transferable routines, non-transferable routines, and localizable routines. Transferable routines are those that can be easily transferred to a subsidiary without local modifications. Localizable routines are those that can be transferred, but must be modified to accommodate local market requirements. Nontransferable routines are those that cannot be transferred or modified to fit the local environment. Available routines from an MNE's internal network do not necessarily originate from MNE headquarters, but can also emerge from other subunits within the MNE network as well. The existing profile of MNE routines will influence an MNE's choice of entry mode when entering a foreign market. Initial contributed financial resources are the energy needed to transfer parent routines into the new subsidiary or the currency needed to acquire routines from other parties. Thus, financial resources would be another important determinant of the degree of newness and adolescence.

WOS is the entry mode choice that basically clones the parent firm into the local market, bringing with it the parent's routines and roles. It also requires the parent firm's financial resources to facilitate the process of transferring these routine fluently. Given a parent firm's sufficient financial resources and available routines, it would face less liability of newness and adolescence and increase its survival chances with a WOS entry mode. As a foreign market entry mode, joint ventures often require the MNE to modify its routines by collaborating with a local firm. Through this process, the routines and practices that emerge in a joint venture take on local market characteristics. The key factor is to find the right partner to transform routines, and to use pooled financial resources (with local partner) to make the newly established routines work well. Joint ventures therefore need moderate financial resources and localizable routines from the parent MNE. Entry through acquisition often uses the parent firm's financial resources to pull the locally available routines into the MNE umbrella. In this case, parent MNEs usually have few transferable routines, but have enough compensating financial resources to acquire these routines and make them match the MNE's structure.

MNEs facing such contingencies would fare better by choosing the right mode to enter the target market. When such decisions are based on the transferability of current routines and the availability of financial resources, the MNE subunits have stronger means of countering the liabilities of newness and adolescence, therefore the selected entry mode with this perspective will perform better than otherwise with other things being equal. Pulling these thoughts together formally leads to the following propositions:

Proposition 3a: MNEs that have readily transferable routines and financial resources tend to choose WOS; MNEs that have localizable routines and moderate financial resources tend to choose joint ventures; MNEs that have few transferable routines but with sufficient financial resources tend to choose acquisitions.

Proposition 3b: Entry mode selected on this contingency logic will perform better than those that do not follow these contingencies.

External Network Resource Availability. Richness of initial stock of assets involves the internal commitment of the parent MNE, but selection of entry modes is also influenced by the availability of external resources. The constraining external factors set the extent to which internal assets can contribute to the performance of the MNE. Founded in a host country, an MNE subsidiary becomes a new member in the host country population. Local population density (nodes density) will affect the external resources available to the new subunit and thus influence its survival and growth. Firms are particularly sensitive to density at the time of founding (Carroll et al., 1989a), which is consistent with Stinchcombe's (1965) well-established argument regarding the imprinting of conditions of founding. Intense competition at time of founding (due to high density) creates conditions of resource scarcity, and when resources are scarce new organizations that cannot move quickly from start-up to full scale operations face very strong selection pressures (Carroll et al., 1989a).

A second consequence of high nodes density at time of founding concerns "tight niche packing." When density is high, resources are subject to intense exploitation, and few resources go unexploited. Since newly founded organizations can seldom compete head-to-head with established organizations, the new entrants tend to be pushed to the margins of the resource space. Tight niche packing thus causes new organizations to attempt to exploit thinly spread and ephemeral resources. Even if they succeed at creating structures and routines for adapting successfully to the inferior regions of the resource space, in the course of doing so they commit themselves to persisting at the margins. The specialized learning of staff, the collective experience of the organization, and the organization's connections with the environment all become specialized to exploiting the inferior regions of the environment. Attempting to shift toward the richer center at some later time entails high risks of mortality during periods of protracted reorganization. If the reorganization is successful, it brings the organization into competition with others specialized in exploiting the center. In either case, these marginal organizations have higher than average mortality rates.

The third consequence is that in a highly concentrated markets, incumbents are more likely to retaliate against entrants (Bunch & Smiley, 1992). Therefore, firms founded in high density environments will face even tougher challenges. In a study of chemical processing industries, Lieberman found that incumbents coordinated investments in concentrated industries in response to entry but not when other incumbents expanded their capacities (Lieberman, 1987).

With respect to MNE entry mode selection, different entry modes have different implications on the resource scarcity of local networks due to population (nodes) density. The possibility of retaliation by incumbents will also have varied effects on different entry modes. WOS, by definition as the founding of a completely new firm, will increase the intensity of competition. At periods of high density, with the local network occupying the central domain of resources distributions, a WOS would likely be positioned at the periphery of the resource space. As such, a WOS will likely face higher selection pressures than entry accomplished through acquisition. On the contrary, by acquiring an existing firm in a tightly packed resource space, the entering firm could position itself into the central domain of the resource distribution in the local environment. Therefore, the adverse imprinting effects of founding when density is high would be less influential for a subunit entering a market through acquisition. Although the founding of a joint ventures might make resources more scarce, and intensify competition for the local network as the local partner of the JV might possess some centrally located resources, the adverse effects of the liability of resource scarcity and tight niche-packing would be less severe to JVs than to WOS, but worse for JVs than to acquisitions. In terms of performance as related to selecting the correct entry mode in light of local market density, the performance of acquisitions in a high-density environment will be better than WOS and joint ventures. Stated formally, we present the following propositions:

Proposition 4a. In a local network exhibiting high density (low availability of external resources), foreign market entry through acquisition will be preferred to joint ventures and WOS.

Proposition 4b. In a high-density host country network (low availability of external resources), with other things being equal, entry through acquisition will exhibit a lower chance of mortality than joint ventures and WOS.

DISCUSSION AND IMPLICATIONS

In this paper, we extend the network-based MNE theory into the equity-based entry mode selection area through the integrated view of entry mode selection and post entry performance. As transaction cost theory has been dominantly adopted to explain MNE's foreign market entry behavior and research has not found a consistent relationship between entry mode selection and post-entry performance, the network-based perspective we have developed provides a constructive "next step" into this interesting area. The various propositions we have developed within this paper are summarized in Figure 2, detailing the influences of both internal and external networks on a firm's entry mode choice and post-entry performance. We also tried to integrate elements of organizational ecology into the inter-organizational network theory framework in order to provide a fuller acknowledgement of the social structure in which MNE subunits must compete. Both theories stress the importance of density concepts, yet use density to measure different things. Organizational ecology is concerned with the number of organizations in a population, while interorganizational theory is interested in the density of linkages among organizations and between organizations and their external network. Under a network theory framework, we would regard organizations in a population as nodes in an inter-organizational network. Both nodes and linkages are essential structural properties of a network. Combining density of nodes and linkages will give us clearer picture of the network structures and lead us to further exploration on the dynamics of business networks.

Third, many studies have examined the effects of a network's structural attributes on its content or relational attributes (Abrahamson et al., 1994; Ghoshal et al., 1990; Gnyawali et al., 2001; Granovetter, 1985; Uzzi, 1997). Most of these researchers examined the effects of network density on resource configurations and the degree of embeddedness of a network. These efforts mostly focus on density of linkages, leaving density of nodes unexplored. Organizational ecology provides complements to this gap, which we explicitly address. Density of nodes has substantial influences on the resource distributions within a network and the survival odds of individual nodes within the network. It is especially useful in explaining the dynamic evolution of a network, the founding of new nodes, and the dissolution of failed nodes. We propose a first step in this direction, hopefully shedding light on the foreign market entry mode selection of an MNE network. Our theory on an integrated entry mode selection and post-entry performance model has practical implications for managers as well. In terms of entry mode selection, a manager's primary concern is post-entry performance. Our network based entry mode selection model acknowledges post-entry performance as a primary concern, providing managers direct assistance with their entry mode decisions. In addition, our network based entry mode selection model is embedded with a dynamic perspective.

By simultaneously examining characteristics of an MNE's internal network, which is going to expand to host country, and that of its external network, to which it is going to connect, MNE managers will make better decisions regarding their entry mode selections and increases their chances for superior post-entry performance.

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Figure 1: Integrated entry mode selection matrix

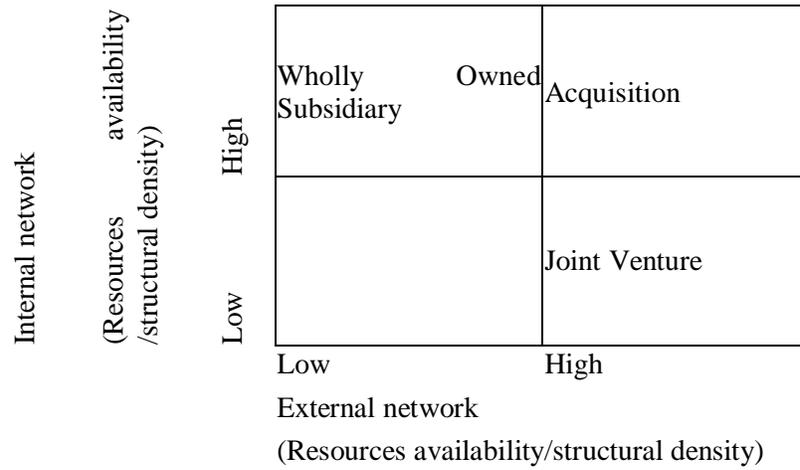


Figure 2. The network-based entry mode selection model and performance

