



An Inter-Organizational Imitation Perspective To FDI-Based Entry Mode Choices Of Emerging Market Firms And Their Impact On Performance

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This thesis investigates the role of mimetic influences in the FDI-based market entry mode decisions of emerging market firms (EMFs). Drawing upon inter-organizational imitation literature and anecdotal evidence from internationalization experiences of Indian firms, this thesis seeks to explain the determinants of ownership decision, which distinguishes the choice between a joint venture (JV) and a wholly owned subsidiary (WOS).

The internationalization of EMFs has challenged the sufficiency of extant theories to explain the emerging patterns of international activity. The dominant perspectives in entry mode research, such as the transaction costs perspective and Dunning's OLI paradigm, have come under criticism from researchers who recommend integrating efficiency considerations with behavioural and strategic considerations. Recent attempts to capture the role of formal and informal institutions on entry mode choice have been criticized of having marginal and unsubstantiated impact. This study responds to calls for context-specific theory building by providing a complementary explanation to an EMF's choice of FDI-based market entry modes.

This thesis investigates the market entry mode decisions of Indian MNEs to understand and explain how a firm's likelihood of choosing a particular entry mode (JV or WOS) relates to organizational form, investment motivations, international focus, industry patterns of internationalization and the level of economic development in host countries. Firms were expected to improve their financial performance when entry mode decisions are made consistent with the proposed conceptual model.

The hypotheses of this study were tested in two stages on a sample of 2244 international entries made by Indian MNEs between 2007 and 2013. In the first stage, the influence of imitation-based predictors on the choice between JV and WOS was specified as a binomial logit model. In the second stage, the financial performance of entry mode choice was specified as an ordinary least squares (OLS) model. The results indicate that entry mode strategies are influenced by mimetic pressures operating at the industry and host country level. However, entry mode decisions, made according to the proposed model, did not improve the financial performance of firms in the dataset.

This study contributes to the literature on international decision making by providing empirical support to mimetic determinants of entry mode choices. In addition to explaining how legitimacy of past actions institutionalized in an organization's field promotes spill over learning, this study also illustrates that EMFs tend to choose entry modes and FDI locations concurrently when faced with high institutional uncertainty.